

## Message Text

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ORIGIN EB-07

INFO OCT-01 EUR-12 NEA-10 IO-10 ISO-00 FEA-01 AGR-10

CEA-01 CIAE-00 COME-00 DODE-00 FRB-01 H-02 INR-07

INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-02 AID-05

CIEP-02 SS-15 STR-04 TAR-01 TRSE-00 USIA-15 PRS-01

SP-02 OMB-01 /127 R

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APPROVED BY EB/OT/GCP:SAHMAD

COMMERCE:GBARE

AGRICULTURE:JALLEN

TREASURY:COUELLETTE

INTERIOR:ANDERSON

STR:HHENTGES

LABOR:JCOYLE

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R 032348Z OCT 75

FM SECSTATE WASHDC

TO USMISSION GENEVA

INFO USMISSION EC BRUSSELS

AMEMBASSY TEL AVIV

UNCLAS STATE 236798

E.O. 11652: N/A

TAGS: ETRD, GATT

SUBJECT: QUESTIONS FOR GATT REVIEW OF EC-ISRAEL AGREEMENT

THE MISSION SHOULD SUBMIT THE FOLLOWING QUESTIONS  
ON THE AGREEMENT TO THE GATT SECRETARIAT.

1. THE AGREEMENT BETWEEN THE EC AND ISRAEL MAKES NO  
MENTION OF THE PARTIES' INTENT TO FORM EITHER A FREE-TRADE  
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AREA OR A CUSTOMS UNION. DO THE PARTIES PLAN TO FORM A  
FREE TRADE AREA COVERING SUBSTANTIALLY ALL TRADE?

2. IS THE AGREEMENT INTENDED TO BE AN INTERIM ARRANGEMENT

LEADING TO THE FORMATION OF A FREE TRADE AREA (OR OF A CUSTOMS UNION) IN THE SENSE OF ARTICLE XXIV OF THE GENERAL AGREEMENT? IF SO, ARE THERE A "PLAN AND SCHEDULE" AS REQUIRED UNDER ARTICLE XXIV:5(C) FOR THE FORMATION OF SUCH A FREE-TRADE AREA (OR CUSTOMS UNION) WITHIN A REASONABLE LENGTH OF TIME?

3. IS THE AGREEMENT PRESENTED AS A REQUEST FOR AN ARTICLE XXV WAIVER PENDING THE PARTIES' CONSIDERATION OF THE POSSIBILITY OF A WIDER ASSOCIATION TAKING THE FORM OF A CUSTOMS UNION OR A FREE-TRADE AREA COVERING SUBSTANTIALLY

ALL TRADE AND, IF AN INTERIM AGREEMENT, PROVIDING A REASONABLE "PLAN AND SCHEDULE?"

4. WHAT "CHARGES HAVING AN EFFECT EQUIVALENT TO CUSTOMS DUTIES ON IMPORTS INTRODUCED ON OR AFTER 1 JANUARY 1974" (ARTICLE 3) WILL BE OR HAVE BEEN REMOVED? WILL THIS REMOVAL BE EFFECTED ON AN MFN BASIS? WHAT CHARGES, "THE RATE OF WHICH ON 31 DECEMBER 1974 WAS HIGHER THAN THAT ACTUALLY APPLIED ON 1 JANUARY 1974" WILL BE OR HAVE BEEN REMOVED? WILL THESE REDUCTIONS BE OR HAVE THEY BEEN EFFECTED ON AN MFN BASIS?

5. HAVE THE PROVISIONS OF ARTICLE 6:1 BEEN UTILIZED? WHAT DISTORTIONS" MIGHT POSSIBLY ARISE BY THE REDUCTION OF MOST FAVORED NATION DUTIES BY ONE OF THE CONTRACTING PARTIES?

6. WHAT "PRACTICES OF AN INTERNAL FISCAL NATURE" ARE REFERRED TO IN ARTICLE 9? IS IT THE INTENTION OF THE PARTIES THAT THE PROHIBITION OF "REPAYMENT OF INTERNAL TAXATION IN EXCESS OF THE AMOUNT OF DIRECT AND INDIRECT TAXATION" SHOULD BE APPLIED TO ANY PRESENT PRACTICE OF THE PARTIES?

7. IS THE ABOLISHMENT OF QUANTITATIVE RESTRICTION ON UNCLASSIFIED

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PRODUCTS REFERRED TO IN ARTICLE 4 OF PROTOCOL 1 TO BE ACCOMPLISHED ON AN MFN BASIS AND WHAT ARE THESE QUANTITATIVE RESTRICTIONS? UNDER WHICH PROVISIONS OF THE GENERAL AGREEMENT WOULD THE MAINTENANCE OF QUANTITATIVE RESTRICTIONS AGAINST THIRD-COUNTRY IMPORTS BE JUSTIFIED?

8. WHAT IS THE BASIS OF SELECTION OF PRODUCTS LISTED IN ARTICLE 5 OF PROTOCOL 1? DO THE EUROPEAN COMMUNITIES APPLY QUANTITATIVE RESTRICTIONS ON LISTED PRODUCTS OF THIRD COUNTRIES? IF SO, ARE THESE TO BE ELIMINATED ON AN MFN BASIS?

9. WHAT IS THE RELATION BETWEEN THE IMPORT SURCHARGE

IMPOSED BY ISRAEL AND THE CUSTOMS DUTY REDUCTION PROVIDED FOR IN ARTICLE 1 OF PROTOCOL 2?

10. WHAT WAS THE BASIS OF SELECTION OF PRODUCTS IN ANNEXES A AND B TO PROTOCOL 2?

11. WHAT DUTIES IN THE ISRAELI CUSTOMS TARIFF HAVE FISCAL AND PROTECTIVE ELEMENTS (ARTICLE 4 OF PROTOCOL 2) AND HOW ARE THE TWO ELEMENTS DISTINGUISHED?

12. WILL THE ABOLITION OF QUANTITATIVE RESTRICTIONS REFERRED TO IN ARTICLE 5 OF PROTOCOL 2 BE ACCOMPLISHED ON AN MFN BASIS? UNDER WHICH PROVISIONS OF THE GENERAL AGREEMENTS WOULD THE MAINTENANCE OF QUANTITATIVE RESTRICTIONS AGAINST THIRD-COUNTRY IMPORTS BE JUSTIFIED?

13. IS THE PREVENTION OF TRADE DEFLECTION AN ESSENTIAL PURPOSE OF THE RULES OF ORIGIN WHICH ARE SET FORTH IN PROTOCOL NO. 3 OF THE AGREEMENT?

14. IF SO, DOES THE POTENTIAL FOR TRADE DEFLECTION JUSTIFY THE STRICTNESS OF THE RULES OF ORIGIN? IS THE GREATER RESTRICTIVENESS OF CERTAIN RULES RELATED TO THE POTENTIAL FOR TRADE DEFLECTION RESULTING FROM TARIFF DIFFERENTIALS ON GIVEN PRODUCTS?

15. LIST B OF PROTOCOL NO. 3, PROVIDES THAT INCORPORATION OF NON-ORIGINATING MATERIALS AND PARTS IN BOILERS, UNCLASSIFIED

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MACHINERY, MECHANICAL APPLIANCES, ETC., OF CHAPTERS 84 TO 92, IN BOILERS RADIATORS OF HEADING NO. 73.37, AND IN THE PRODUCTS OF HEADING NOS. 97.07 AND 98.03 DOES NOT MAKE SUCH PRODUCTS LOSE THEIR ORIGIN STATUS, PROVIDED THAT THE VALUE OF THESE PRODUCTS DOES NOT EXCEED 5 PERCENT OF THE VALUE OF THE FINISHED PRODUCT. WHAT IS THE BASIS FOR THIS RESTRICTIVE RULE?

16. WHAT IS THE BASIS FOR THE RULE WHICH LIMITS THE USE OF NON-ORIGINATING TRANSISTORS TO A MAXIMUM OF 3 PERCENT OF THE VALUE OF THE FINISHED PRODUCT?

17. IS THE POTENTIAL FOR TRADE DEFLECTION AFFECTED BY THE GEOGRAPHICAL LOCATION OF THE PARTIES TO THE AGREEMENT AND THE CHARACTERISTICS OF THEIR RESPECTIVE ECONOMIES?

18. IF THE RULES OF ORIGIN REFLECT OTHER CRITERIA AND OBJECTIVES THAN THE PREVENTION OF TRADE DEFLECTION, WHAT ARE THESE CRITERIA AND OBJECTIVES?

19. IF IT IS DETERMINED THAT THE RESTRICTIVE RULES OF ORIGIN WILL RESULT IN PREJUDICIAL EFFECTS TO THE TRADE

INTERESTS OF THIRD COUNTRIES, ARE THE PARTIES TO AGREE-  
MENT WILLING TO CONSULT AND IMPLEMENT AGREED ADJUST-  
MENTS TO THE RULES?

20. THE PREAMBLE TO EC REGULATION 1274/75 OF MAY 20, 1975  
STATES THAT:  
CONCESSIONS FOR CERTAIN AGRICULTURAL PRODUCTS

PROVIDED FOR IN THE AGREEMENT ARE SUBJECT TO  
COMPLIANCE WITH CERTAIN CONDITIONS WHICH WILL  
BE SPECIFIED IN COMMUNITY RULES NOW IN PREPARA-  
TION; WHERE AS APPLICATION OF THESE CONCESSIONS  
SHOULD BE SUSPENDED UNTIL SAID RULES HAVE BEEN  
ADOPTED".

A. WHAT ARE THE CONDITIONS THAT ARE TO BE SPECIFIED  
AND FOR WHICH AGRICULTURAL PRODUCTS WILL THESE  
CONDITIONS BE APPLICABLE?

B. DO THE PARTIES INTEND TO INFORM GATT CONTRACTING  
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PARTIES OF THESE MODIFICATIONS ONCE THEY ARE  
DEFINED?

21. ON WHAT DATE WILL THE TARIFF REDUCTIONS FOR THE  
PRODUCTS DESCRIBED IN ARTICLE 2 OF EC REGULATION 1274/75  
BE APPLIED?

22. HOW DOES THE EC DEFINE "PUBLIC AID" IN ARTICLE 12:1  
(III)?

23. WHAT IS THE PROPORTION OF TOTAL TRADE BETWEEN THE  
EC AND ISRAEL WHICH IS ALREADY DUTY FREE ON A MOST-FAVORED  
NATION BASIS?

24. WHAT PERCENT OF TOTAL TRADE BETWEEN THE EC AND ISRAEL  
WILL BE EXEMPT FROM CUSTOMS DUTIES AND OTHER RESTRICTIVE  
REGULATIONS OF COMMERCE WITHIN THE MEANING OF ARTICLE XXIV  
:8?

25. WHAT WAS THE TOTAL VALUE OF IMPORTS INTO THE EC OF  
PRODUCTS ORIGINATING IN ISRAEL IN EACH OF THE THREE MOST  
RECENT YEARS FOR WHICH STATISTICS ARE AVAILABLE.

A) WHAT VALUE AND PERCENTAGE OF THE ABOVE WERE  
COMPRISED OF AGRICULTURAL PRODUCTS?

(I) WHAT WAS THE VALUE OF CITRUS IMPORTS?

(II) WHAT PERCENTAGES DO THESE REPRESENT OF  
(1) TOTAL EC CITRUS IMPORTS AND (2) EC CITRUS  
IMPORTS UNDER THE VARIOUS PREFERENTIAL TARIFF  
ARRANGEMENTS?

B) WHAT VALUE AND PERCENTAGE OF EC IMPORTS FROM ISRAEL WERE COMPRISED OF INDUSTRIAL PRODUCTS?

26. WHAT WAS THE VALUE (AND PERCENTAGE OF TOTAL IMPORTS) OF THE FOLLOWING CATEGORIES OF DUTIABLE IMPORTS INTO THE EC OF PRODUCTS ORIGINATING IN ISRAEL IN EACH OF THE

THREE MOST RECENT YEARS FOR WHICH STATISTICS ARE AVAILABLE:

A. IMPORTS OF PRODUCTS ON WHICH CUSTOMS DUTIES UNCLASSIFIED

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AND LEVIES WERE NOT IMPOSED?

B. IMPORTS OF PRODUCTS FOR WHICH CUSTOMS DUTIES AND CHARGES HAVING EQUIVALENT EFFECT ARE TO BE REDUCED?

C. IMPORTS OF PRODUCTS FOR WHICH TARIFF QUOTAS OR QUANTITATIVE RESTRICTIONS ARE NOT TO BE ELIMINATED?

27. WHAT VALUE AND PERCENTAGE OF (1) AGRICULTURAL AND (2) INDUSTRIAL PRODUCTS WILL BE FREE TO ENTER THE EC FROM ISRAEL WITHOUT PAYMENT OF DUTIES OR SUBJECT TO OTHER RESTRICTIVE REGULATIONS?

28. WHAT VALUE AND PERCENTAGE OF (1) AGRICULTURAL AND (2) INDUSTRIAL IMPORTS INTO THE EC FROM ISRAEL WILL BE SUBJECT TO TARIFFS WHEN THE AGREEMENT IS FULLY IMPLEMENTED?

29. WHAT WAS THE TOTAL VALUE OF IMPORTS INTO ISRAEL OF PRODUCTS ORIGINATING IN THE EC IN EACH OF THE THREE MOST RECENT YEARS FOR WHICH STATISTICS ARE AVAILABLE?

A. WHAT VALUE AND PERCENTAGE OF THE ABOVE WERE COMPRISED OF AGRICULTURAL PRODUCTS?

B. WHAT VALUE AND PERCENTAGE OF THE ABOVE WERE COMPRISED OF INDUSTRIAL PRODUCTS?

30. WHAT WAS THE VALUE (AND PERCENTAGE OF TOTAL IMPORTS) OF THE FOLLOWING CATEGORIES OF DUTIABLE IMPORTS INTO ISRAEL OF PRODUCTS ORIGINATING IN THE EC IN EACH OF THE THREE MOST RECENT YEARS FOR WHICH STATISTICS ARE AVAILABLE:

A. IMPORTS OF PRODUCTS ON WHICH CUSTOMS DUTIES AND LEVIES WERE NOT IMPOSED?

B. IMPORTS OF PRODUCTS FOR WHICH CUSTOMS DUTIES AND CHARGES HAVING EQUIVALENT EFFECT ARE TO BE REDUCED?

C. IMPORTS OF PRODUCTS FOR WHICH TARIFF QUOTAS OR QUANTITATIVE RESTRICTIONS ARE NOT TO BE ELIMINATED?

31. WHAT VALUE AND PERCENTAGE OF (1) AGRICULTURAL AND (2) INDUSTRIAL PRODUCTS WILL BE FREE TO ENTER ISRAEL FROM

THE EC WITHOUT PAYMENT OF DUTIES OR SUBJECT TO OTHER  
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RESTRICTIVE REGULATIONS OF COMMERCE WHEN THE AGREEMENT  
IS FULLY IMPLEMENTED?

32. WHAT VALUE AND PERCENTAGE OF (1) AGRICULTURAL AND

(2) INDUSTRIAL IMPORTS INTO ISRAEL FROM THE EC WILL BE  
SUBJECT TO PREFERENTIAL TARIFFS WHEN THE AGREEMENT IS FULLY  
IMPLEMENTED?

MISSION BRUSSELS AND EMBASSY TEL AVIV MAY, IF THERE IS  
NO OBJECTION, CONVEY THESE QUESTIONS TO APPROPRIATE  
WORKING LEVEL OFFICIALS IN THE COMMISSION AND THE ISRAELI  
GOVERNMENT. KISSINGER

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